

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY  
BOND FINANCING PROGRAM**

**Meeting Date: May 28, 2008**

***Request for Reinstatement, Extension and Amendment of Amended Initial Resolution***

Prepared by: *Doreen Carle*

<b>Applicant:</b> BP West Coast Products LLC	<b>Amount Requested:</b> \$253,000,000
<b>Project</b> Carson (Los Angeles	<b>Application No.:</b> 00574
<b>Location:</b> County)	<b>Initial Resolution No.:</b> 94-11
	<b>Prior Actions:</b> IR 94-11 Approved 10/21/94 Amended 07/23/97

**Summary of Request:** BP West Coast Products LLC (the “Company”) requests approval of a reinstatement and extension of Initial Resolution number 94-11 for an amount not to exceed \$253,000,000. The Company is requesting that the authorized maximum principal amount of the revenue bonds referenced in the Amended Initial Resolution is hereby decreased from \$510,000,000 to \$253,000,000, which includes \$153,000,000 of Facilities financed at the Refinery for the period from 1994 through 1997 with bonds issued by the Authority and also includes \$100,000,000 for additional Facilities to be financed at the Refinery for the period from 2006 to 2010.

The Company is the successor of most of the operating assets of Atlantic Richfield Company (ARCO). The Company provides crude oil refining and marketing operations. The project is located in Carson in Los Angeles County. The Company anticipates that the project will provide for the safe disposal of solid waste, as well as other pollution control and air quality benefits, and help meet California’s demand for cleaner burning fuels.

**Borrower:** The Company is a limited liability company that organized in Delaware on September 26, 2001. The Company is 100% owned by BP Products North America, Inc.

**Legal Questionnaire:** Staff has reviewed the Company’s responses to the questions contained in the legal status portion of the Application. The Company did disclose several matters in which it was a defendant, without admitting the truth or validity of any of the allegations. No information was disclosed that raises questions concerning the financial viability or legal integrity of this applicant.

**Prior Actions and Financings:**

Description	Date of Bond Issue	Original Amount	Amount Outstanding as of 05/15/08
BP West Coast Products 2008	03/26/2008	\$ 44,810,000	\$ 44,810,000
ARCO Series 1997A (Tax-Exempt)	03/12/1998	20,000,000	20,000,000
ARCO Series 1997 (Taxable)	12/23/1997	108,000,000	88,000,000
ARCO Series 1996A (Refunded by 2008 Bonds)	01/24/1996	44,810,000	0
ARCO Series 1994A	12/08/1994	45,000,000	45,000,000
ARCO Series 1985 (Refunded by 1996A Bonds)	11/14/1985	35,200,000	0
ARCO Series 1974 (Refunded by 1996A Bonds)	06/06/1974	13,460,000	0
<b>TOTALS:</b>		<b><u>\$311,280,000</u></b>	<b><u>\$197,810,000</u></b>

**Background:** CPCFA approved Initial Resolution number 94-11 on October 21, 1994 for an amount not to exceed \$510,000,000. The Initial Resolution was amended and extended on July 23, 1997.

Bonds have been issued for \$153,000,000 of the induced amount.

**Project Description:** The Company's Clean Fuels Project (the "Project") was designed to produce reformulated gasolines, which were previously mandated by the federal Clean Air Act and the California Clean Air Act. The Project helps the Company achieve two important goals: (1) compliance with federal and state regulations as they pertain to reformulated gasoline and (2) providing a significant contribution to improving air quality in the South Coast basin through the ultimate production of the company's EC-X Emission Control gasolines. Reformulated gasolines help to reduce air emissions from existing gasoline-powered vehicles because the reformulated gasolines are less volatile, contain less aromatics, olefins, sulfur and benzene, and contain more oxygen that reduces carbon monoxide emissions. The Project also may come to include subsequent improvements and modifications as a result of additional environmentally conscious regulations; as such guidelines are implemented over time.

In general terms, the Project consists of equipment and facilities that were improved, installed and constructed for use as processing and recycling facilities (including, without limitation, facilities for use in the production of cleaner-burning fuels described above), industrial sewage or wastewater treatment facilities, and resource recovery facilities at the Company's Los Angeles Refinery in Carson, CA. Such facilities include, but are not limited to, facilities for vacuum residual processing (e.g., coking, hydrocracking, gasification and fluid catalytic cracking) and vacuum residual byproduct processing (e.g., isomerization, reforming, hydrotreating, fluid catalytic cracking, alkylation, sour gas recovery, and fuel oil blending), spent catalyst processing, soil remediation, leachate collection, equipment cleaning, waste storage and dewatering, and other processing and recycling facilities. These facilities include process equipment, utilities or support systems, and related structures and buildings. The facilities also include modifications to any of the foregoing, and facilities that are functionally related and subordinate to, but not limited to, the foregoing.

A representative itemization of some of the facilities making up the Project includes, but is not limited to, the following:

- Benzene Saturation/Isomerization Complex
- Hydrogen Plant
- Fluid Catalytic Cracking Jet Cut Tower
- Alky Feed Depentanizer Tower
- Two Dehexanizer Towers
- Related Tanks, Piping, Utilities and Functionally Related Auxiliaries

In addition to the above, the Project includes a polypropylene plant at the Los Angeles Refinery in Carson, CA. Polypropylene is used to make a wide range of consumer products, including molded containers, twine, clothing, medical equipment and a variety of other products. Several units were necessary in connection with the polypropylene plant portion of the Project, including

liquid recovery units to recover propane and polypropylene and remove other olefins and sulfur from refinery fuel gas; a propane/propylene splitter to produce polymer-grade propylene and a polypropylene unit to produce polypropylene pellets for shipment to the local and world markets.

**Current Request:** The Company requests that the authorized maximum principal amount of the revenue bonds referenced in the Amended Initial Resolution be decreased from \$510,000,000 to \$253,000,000, which includes \$153,000,000 of facilities financed at the refinery for the period from 1994 through 1997 with bonds issued by the Authority and also includes \$100,000,000 for Additional Facilities to be financed at the Refinery for the period from 2006 to 2010.

The Additional Facilities to be financed with the proceeds of the Bonds consist of real estate, equipment, components, and systems which have been or will be acquired, improved, installed, or constructed for use as solid waste disposal facilities located at the Company's Carson Refinery. The Facilities are necessary and integral to the production of cleaner burning fuels for use in California.

The solid waste disposal or recycling Facilities collect, handle, store, treat, process, dispose, and recycle solid waste materials. The Facilities to be financed with proceeds of the Bonds are integrated components of the solid waste disposal or recycling facilities and include additions, improvements, and modifications to coking, hydrotreating, hydrocracking, desulfurizing, fluid catalytic cracking, sulfur recovery, and flare off-gasing. Also included are related refinery auxiliary systems and certain property that is functionally related and subordinate to the foregoing systems and components. The Facilities also include process equipment, utilities, controls and instrumentation, related mechanical and electrical systems, and related structures and buildings.

**Anticipated Timeline:** The Company anticipates that the Project will be placed in service by the end of 2009.

**Pollution Control and/or Environmental Benefits:** The Company represents the Project will generate the pollution control and environmental benefits described below.

**Pollution Control.** The Project controls the following pollutants: sulfur, benzene, carbon monoxide and nitrogen oxides.

**Air Quality.** The Project is designed to produce reformulated gasolines for the California market, as required by the California Air Resources Board.. The reformulated gasolines help to reduce air emissions from existing gasoline-powered vehicles because the reformulated gasolines are less volatile, contain less aromatics, olefins, sulfur and benzene, and contain more oxygen that reduces carbon monoxide emissions.

**Safe Disposal of Solid Waste** (that is in compliance with all applicable state and federal environmental regulations regarding solid waste disposal). The Project includes a vacuum residual recycling facility, which allows for the processing, recycling and disposal of an otherwise unmarketable byproduct of crude oil refining.

The environmental quality regulations or standards being met by the Project include, but are not limited to, the following:

- a. Federal Clean Air Act (regarding reformulated gasoline regulation)
- b. California Clean Air Act (regarding reformulated gasoline regulation)
- c. California Environmental Quality Act (CEQA)
- d. South Coast Air Quality Management District Rules 1109 and 431.1
- e. National Emission Standards for Hazardous Air Pollutants (NESHAPS)
- f. Federal EPA Clean Diesel Regulation

**Permits:** The Company will provide the Authority with copies of all required discretionary permits prior to requesting approval for Final Resolution.

**CDLAC Allocation:** The Company has applied to the Authority for CDLAC allocation available in June 2008.

**Financing Details:** The bonds will be secured solely from payments to be made by BP West Coast Products LLC under a Loan Agreement between BP West Coast Products LLC and the CPCFA. The anticipated loan term is 35 years for \$100,000,000.

The Company anticipates a negotiated tax-exempt, variable rate bond issue. The bonds will be sold in a public offering with credit enhancement provided solely by the BP p.l.c. corporate guarantee. The guarantor, BP p.l.c., is a corporation organized under the laws of England and Wales and as a foreign private issuer is subject to the requirements of the Securities Exchange Act of 1934.

**Financing Team:**

**Underwriter:** Goldman, Sachs & Co.

**Bond Counsel:** Chapman and Cutler LLP

**Issuer's Counsel:** Office of the Attorney General

**Staff Recommendation:** Staff recommends approval of the reinstatement and extension of Initial Resolution No. 94-11 for BP West Coast Products LLC for an amount not to exceed ~~\$100~~253,000,000.

*Note: An Initial Resolution approval is not a commitment that the Board will approve a Final Resolution and bond financing of the proposed Project.*

Initial Resolution No. 94-11  
Application No. 574

**REINSTATEMENT, EXTENSION AND AMENDMENT OF AMENDED INITIAL RESOLUTION TO  
ISSUE BONDS TO FINANCE SOLID WASTE DISPOSAL/SEWAGE FACILITIES  
FOR BP WEST COAST PRODUCTS LLC**

May 28, 2008

WHEREAS, the California Pollution Control Financing Authority (the “Authority”) by its Resolution No. 94-11 (the “Initial Resolution”) has heretofore approved the application of Atlantic Richfield Company (“ARCO”) for financial assistance in defraying the costs of sewage and solid waste disposal facilities, as described in its application for such approval, and has authorized the issuance of revenue bonds to provide such financial assistance; and

WHEREAS, the Initial Resolution authorized the issuance of such revenue bonds in an aggregate principal amount not to exceed \$510,000,000; and

WHEREAS, the Initial Resolution was adopted on October 21, 1994 and was stated to be effective through October 21, 1997; and

WHEREAS, the Initial Resolution was amended by the Authority pursuant to a Resolution adopted on July 23, 1997 (the “Amended Initial Resolution”) to extend the effective date of the Initial Resolution to August 1, 1998, to modify the description of the Project and to amend and restate the definition of the Facilities, all as provided therein; and

WHEREAS, BP West Coast Products LLC, a Delaware limited liability company and successor of most of the operating facilities of ARCO (the “Company”), now desires, and has requested the Authority, to reinstate the Amended Initial Resolution, to extend the effective date

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of the Amended Initial Resolution from August 1, 1998 to May 28, 2011, and to decrease the authorized maximum principal amount of such revenue bonds from \$510,000,000 to \$253,000,000; and

WHEREAS, the Company has represented that additional Facilities were financed by the Company at the refinery of the Company located in Carson, Los Angeles County, California (the “Refinery”) for the period from 1998 through 2005 but that the decrease in maximum principal amount of such revenue bonds is, in part, due to the Company’s understanding that private activity bond volume cap was unavailable during such period; and

WHEREAS, it is now and was, at the times the Initial Resolution and the Amended Initial Resolution were adopted, the intent of the Authority to reimburse the Company for costs of Facilities (as defined in the Amended Initial Resolution) at the Refinery with the proceeds of bonds to be issued by the Authority, subject to the conditions stated in the Amended Initial Resolution including the receipt of sufficient allocations of private activity bond volume cap from the California Debt Limit Allocation Committee, regardless of whether the costs of the Facilities were incurred after the expiration date of the Initial Resolution or the Amended Initial Resolution; and

WHEREAS, the Authority has determined that it is necessary and advisable that the Amended Initial Resolution be reinstated, that the effective date of the Amended Initial Resolution be extended from August 1, 1998 to May 28, 2011 and that the authorized maximum principal amount of such revenue bonds be decreased from \$510,000,000 to \$253,000,000.

NOW, THEREFORE, BE IT RESOLVED by the California Pollution Control Financing Authority, as follows:

Section 1. The Amended Initial Resolution is reinstated and the effective date of the Amended Initial Resolution is hereby extended from August 1, 1998 to May 28, 2011; provided, however, that, as with the expiration dates in the Initial Resolution and the Amended Initial Resolution, it is understood that the May 28, 2011 expiration date is a convenience date for the Authority and is not intended to imply that the Authority does not intend to reimburse the Company for costs of Facilities at the Refinery subsequent to such expiration date if all conditions to the issuance of bonds for such purpose as stated in the Amended Initial Resolution are satisfied.

Section 2. The authorized maximum principal amount of the revenue bonds referenced in the Amended Initial Resolution is hereby decreased from \$510,000,000 to \$253,000,000, which includes \$153,000,000 of Facilities financed at the Refinery for the period from 1994 through 1997 with bonds issued by the Authority and also includes \$100,000,000 for additional Facilities to be financed at the Refinery for the period from 2006 to 2010.

Section 3. The second sentence of Section 3 of the Amended Initial Resolution is hereby amended in its entirety to read as follows:

Each bond shall contain a statement to the following effect:

“Neither the faith and credit nor the taxing power of the State of California or any political subdivision thereof or any local agency

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is pledged to the payment of the principal of, premium, if any, or  
any interest on this bond.”

Section 4. All references in the Amended Initial Resolution to the “Los Angeles Refinery” are hereby clarified to mean the BP West Coast Products LLC Carson Refinery located at 1801 East Sepulveda Boulevard in Carson, Los Angeles County, California.

Section 5. Except as amended by Sections 1, 2, 3 and 4 hereof, all provisions and conditions of the Amended Initial Resolution shall remain unchanged and in full force and effect.

Section 6. The officers of the Authority or the duly authorized deputies thereof are hereby authorized and directed jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to communicate this Reinstatement, Extension and Amendment of Amended Initial Resolution to the Company and otherwise to effectuate the purposes of this Reinstatement, Extension and Amendment of Amended Initial Resolution.